



Ernie Fletcher
Governor

Mark David Goss
Chairman

LaJuana S. Wilcher, Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
Environmental and Public Protection Cabinet
Public Service Commission

Teresa Hill
Vice Chairman

Christopher L. Lilly
Commissioner
Department of Public Protection

211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460

NEWS RELEASE

Contact:
Andrew Melnykovich
(502) 564-3940 x208
(502) 330-5981 (cell)

PSC TO HOLD HEARING ON TRANSFER OF KENTUCKY-AMERICAN WATER *Parent company to be spun off in public stock offering*

FRANKFORT, Ky. (Aug. 9, 2006) – The Kentucky Public Service Commission (PSC) will conduct a hearing next week on the proposed transfer of the Kentucky-American Water Co.

The hearing will begin at 9 a.m. EDT on Wednesday, Aug. 16, at the PSC offices at 211 Sower Boulevard in Frankfort. It will be broadcast live via the Internet and may be viewed at the PSC Web site, <http://psc.ky.gov/sitemap.htm#AV>.

RWE Aktiengesellschaft (RWE) owns American Water Works Co., which is the sole shareholder of Kentucky-American. RWE proposes to divest itself of American Water through an initial public offering (IPO) of stock.

RWE purchased American Water four years ago. Prior to the 2002 transaction, American Water was the largest publicly traded water utility in the United States. It would regain that status if the proposed transfer occurs.

Kentucky-American serves about 112,000 residential, commercial and industrial customers in Fayette and 11 other counties. The company also sells water to five municipal water systems and three water districts. It was incorporated in 1882 as the Lexington Water Company.

American Water owns and operates water and sewer systems serving about 10 million people in 23 states. It also manages water or sewer systems serving 5 million people in 18 states and three Canadian provinces.

-more-

PSC TO HOLD HEARING ON KENTUCKY-AMERICAN WATER SALE – Page 2

There will be an opportunity for brief public comments at the beginning of the hearing.

Written comments also will be accepted at the hearing. Written comments also may be mailed to the PSC at P.O. Box 615, Frankfort, KY 40602, faxed to (502) 564-9625 or sent by e-mail from the PSC Web site, psc.ky.gov.

Documents in the case are available on the PSC Web site. The case number is 2006-00197.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

-30-